

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

June 27, 2006

4:15 PM

Chairman Pinard called the meeting to order.

The Clerk called the roll.

Present: Aldermen Pinard, Thibault, Smith, DeVries, Long

Messrs.: Scott Bassett, Kevin Buckley, Guy Beloin, Randy Sherman,
Mike Farren

Chairman Pinard addressed item 3 of the agenda:

3. Overview of FY2006 City audit to be conducted by McGladrey and Pullen.

Alderman Smith moved for discussion. Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

Mr. Scott Bassett, Partner with the audit firm of McGladrey and Pullen and we have been engaged to perform fiscal year-end 2006 bank statement audit. I don't know if you had a couple of words of introduction or I can go into the audit.

Mr. Kevin Buckley, Independent City Auditor, replied you can go right into the audit presentation.

Mr. Bassett stated for the purpose of this meeting part of our professional standards what we are required to do is to meet with the core that pretty much represents the audit committee of a town or a city and what we're required to do is to speak to you about our audit plan, inquire of you that there if there is any known irregularities or instances of fraud that occurred during the year that will help us better plan the audit so we call this a planning meeting and brief you on any new auditing or accounting standards out there and then ask you to give us any feedback that will help us better plan the audit to make sure that we give the opinion that's deserved. So, with that I'll go into our plan a little bit and then as you can think about a couple of things you want to ask me or direct us to that would be great. So, for the fiscal year 2006 there are no material GASB things that are going to change the structure or the presentation of your financial standings so it's a pretty quiet year as far as our accounting standards go and also with auditing standards although that won't be the same in the next couple of years

but auditing standards have pretty much remained unchanged for the fiscal year 06. Our goal this year is to issue the reports sooner than what we have in the past. We'd really like to beat that December 31st deadline if we can and it's my understanding from the planning that we've done here the past couple of weeks we're going to be able to do that. Obviously, we set materiality for different revenue and expenditure sources, we do not audit right to the penny we select samples, we do not look at every transaction although we do base our testing on materiality and professional standards. So, pretty much not a big change...we'll come in here in the next few weeks and look at our control and compliance work while on the city's end they're closing their records and books to be ready for audit and get the financial results and typically we get those trial balances from the city...there aren't many adjustments that have to be made to them so strictly there is not a whole lot of accounting that we have to do but strictly auditing on those records in a report that is given to us. So, so far from the last couple weeks that we have been out there nothing has come to our attention that would warrant any conversation with you as the audit committee but if something should come to our attention we would look to you and bring that to your attention during the course of the audit. So, it's just not a planning and an ending meeting but it should be a dialogue that goes on during the course of the audit so if something comes up prior to us finishing that you think we should know about again we'd ask you to give us a call and let us know. Kristine Carling is with me, she's the Manager on the engagement, she's been on the job now for the last three years and Kristine will run the day-to-day activities here and Mike LaRocca another CPA is downstairs and he'll be here daily but with the crew that's out here doing the work. They do visit the different departments throughout the city also. So, that's what I have to say, what I'm required to say and I'd be happy to entertain any questions or discussions that you'd like to have.

Alderman DeVries stated I did understand you to say that the new auditing standards would not affect this audit in '06 but I would look forward particularly if you get the sense that any of those new standards might impact to in a material way of how we conduct any of our business and I guess I'm looking at the pension obligations and the reporting...if there's anything that needs to be changed you'll be advising us.

Mr. Bassett replied absolutely. I think you're doing the preliminary work now as reporting processes and finding out what's the best route for the city to take but we'll keep you abreast on that as the data comes in and the city gets more information we can let you know what's the best route to fund that and the best way that doesn't have a negative impact on your financial statements.

Alderman DeVries asked do you have a sense of when those might be fully reported out or accepted and then reported as new standards...would it be for the '07 audit?

Mr. Bassett replied they will be for the '07...we'll have to set up a trust and then the '08 audit we'd have to recognize the liability.

Alderman DeVries asked could you maybe go into a little bit more detail with the trust, please?

Mr. Bassett replied sure. Basically, GASB 43 and 45 there's two items that are affected. One, is we have to measure other post employment benefits that could incur liability for that...then there is the financial statement reporting of those. So, without a trust, like a pension trust if you were just to set aside assets then when we measure that liability...here's what you owe, here's what you have set aside... unless they're in a formal trust you couldn't measure or net that asset against a liability to come up with your total accrued liability or your net accrued liability. So, the purpose of the trust is to get a vehicle in place in which you can place the assets in and they're separated, designated specifically for that purpose. It's like with your Pension Trust Fund you can't go in there and use any excess funds that you may have to offset the city budget that's what the trust is going to do for these and the accounting and the treatment of those assets will be similar to what we do with the Pension Trust Fund.

Alderman DeVries stated one final comment or question if I might...also looking at GASB 47 which is going to be accounting for termination benefits and I'm not quite sure how we account for that today so it may be something that's on the horizon for us.

Mr. Bassett stated those are for special-type situations. Typically, it's pay-as-you-go now under the GASB so as I read that standard it would be unusual for it to have a large impact on a city but if you were to do a large buyout at some time maybe that pronouncement would determine the play if it wasn't hedge related but a little bit beyond that. So, I don't see it as a material impact during the current year.

Alderman Smith stated I have the reports from 2005, 2004 and 2003 and every year you put in the same situation that we should have corrected. I don't know what you're going to put in this year but it seems to be redundant, it seems like the same procedures are put in every single year. I'm more interested in the number 3 GASB 45 this is very, very crucial to our employees and I don't know what situation is going to occur. Now, you say it's going to happen '07-'08.

Mr. Bassett stated I guess what it is is as far as the unemployment benefits...the way the retired employees get those and receive those will not change. Basically, it would be if you had a debt out there...say we had a million dollar mortgage out there and we have to pay \$12,000 a year, \$1,000 a month...all we are required to do now is to talk about the payments, 12 payments at \$1,000 a month is all we did for those types of benefits and that million dollars wasn't proposed or talked about anywhere but this statement is going to impact...not an employee impact but a financial statement impact...for now I'm going to have to talk about that million dollars that is owed to all these people in the basic financial statement so the way the people receive the benefits and are paid for the benefits that won't change that's a negotiated benefit that they've done with their union contracts. But, the way we as the government, as a municipality show that and explain that will be uniform now across the country and what you're going to see and I do a lot of cities here in New England and they're number is over a billion dollars that they know a future liability out there...we don't record the pension liability either, we disclose it, we don't record it and this is going to be similar to the same thing. At least someone can say well what do you owe for these health benefits that are going to be paid to retirees...well now it's going to be in the bottom on the financial statement.

Alderman Smith stated as you probably don't know but we're having a situation here with retirement benefits...I don't know if you've been made aware of this situation with retirement benefits and what the city owes and so forth...can you relate or do you know anything about it?

Mr. Bassett replied I don't have enough information to comment on it but I can follow-up on it and see what the discussion is and what the problem is and get back to you and see if these 43 or 45 would impact it. If it's a management type question it's a management question and not an auditor's question but if it's a financial statement related question and presentation question I could answer that question.

Alderman Smith stated I know it's probably management but I'm looking for your advice and I imagine you'll be making a presentation on July 11th to the full Board or am I...I'd be happy to.

Mr. Buckley stated you're talking about the \$1.4 million.

Alderman Smith stated yes.

Mr. Buckley stated we're going to be discussing that with them...I don't think they're doing a presentation July 11th...Randy Sherman has studied this and he is going to be presenting a report on his findings...I think that's the July 11th meeting.

Alderman Smith stated I realize it's a management decision but I was thinking that he could give us some objective impact into the situation because it's volatile right now as the letters going out to the Board of Mayor and Aldermen between the two parties.

Mr. Buckley stated there's also an accounting piece in there that his expertise would be very welcome.

Chairman Pinard asked are we having a meeting in July?

City Clerk Bernier replied there's a BMA meeting on July 11th.

Alderman Long stated Alderman Smith brings up a good point with respect to where...not non-compliance but just flags that you notice and all the reports. If I recall back in January over time they become more serious from what I understand is that correct?

Mr. Bassett replied there are two answer to that. One, over time we have a difference of opinion where I think it's a problem and the powers that be don't think it's a problem so I could either keep saying it and they could keep disagreeing with me and under professional standards after three or four years I could take it off the table because I've communicated and communicated and communicated it...I wouldn't do that unless it was truly immaterial. If I thought it was material and could have an impact on the financial statements and under current controls I would keep bringing it to everybody's attention but you're absolutely right in some points if they're minor it really comes down to a difference of opinion and once I've communicated my responsibility I've done that, the decision has been made that the cost benefit there isn't there and we're going to live with it and that's okay there's nothing wrong with that but I know that from where we are if it's really material they're going to keep worrying about it so I'm going to look at those this year and I think there are a couple I've told everybody about and maybe not repeat them because we have spoken to you about them and maybe do it more as a narrative as we go through this presentation and let you know the corrective action, if any, had been taken or basically we're going to live with the risk if there is a risk associated with that finding.

Alderman Long stated actually my question was directed toward the internal control from the audit of January from '05's audit with respect to internal control and you believe that that could just keep appearing without being serious?

Mr. Bassett replied I guess I've got to think of the exact finding on what it is but I'll review it but I can take a look at that and I can follow-up on the corrective actions and see if anything's been done with it and be happy to get back to you sooner than later as far as my opinion on what we're going to do with it this year.

Alderman Long stated I have a question not really related with respect to...have you audited any entity that...city entity or town entity that has purchase cards...while we have you here?

Mr. Bassett replied I'd have to check. I do a lot of large cities and I would think one or two of them must, I just don't know them off the top of my head which two those are but Kristine may know...we can check our controls and ask a couple of large cities if they're using them which I think probably they are.

Alderman Long asked would you foresee any conflict with the new standards that are coming up?

Mr. Bassett replied no. Basically, you can have any system but when you set up an internal control it has to be prevention control, detection control as far as duties not being...that segregation stays in place. So, as long as you have those two controls over anything whether it be writing checks, purchase cards, taking monies in we have to make sure the design of the control at least has one probably two section controls and prevention controls to make sure that it's operating properly. So, where it's the design of that internal control and then once you use the process it will be okay. There are many, many large companies that pay electronically now...invoices aren't sent so it's the wave of the future but how that works is basically the designer control.

Alderman Long stated so you would be able to look at our proposal with respect to internal controls and determine whether it would be easier to be in compliance.

Mr. Bassett I think I'd have to look at it to make sure that there's appropriate controls in place. Again, the two items that I talked about.

On motion of Alderman Thibault, duly seconded by Alderman Long, it was voted to receive and file.

Chairman Pinard addressed item 4 of the agenda:

4. Communication from Guy Beloin, Financial Analyst II, submitting the City's Monthly Financial Statements (unaudited) for the eleven months ended May 31, 2006 for FY2006.

Mr. Guy Beloin, Financial Analyst II, stated unless you have any specific questions I really don't have anything to point out on these statements here. The results are almost a month old at this point and we do have pretty much only two weeks left in the year.

Alderman Smith stated we're into eleven months and the process is if we don't get the revenue in do we go into the Revenue Stabilization account or what do we do to make up the difference in the General Fund?

Mr. Beloin replied it is my understanding that if the revenues are short of budget that then you can probably go into revenue funds at that point.

Alderman Smith stated I understand it would take ten votes for us to make up the deficit, is that correct?

Mr. Beloin replied I'm not sure of that.

Alderman Long stated on page 1 the Contingency of \$334,346...does that include the \$186,000 that the Board of Mayor and Aldermen appropriated in '06's budget, is that minus that?

Mr. Beloin replied I think so because \$100,000 of it went to the Fire Department.

Alderman Long stated there was \$100,000 and two \$43,000's.

Mr. Beloin stated it was taken out already.

Alderman Long stated so this is minus the \$186,000.

Mr. Beloin stated yes.

Alderman Long stated with respect to revenue...civic center parking...would that be decreased because of the sale of the Center of NH parking garage...actually I'm on page 6.

Mr. Beloin replied that had an impact.

Alderman Long asked would that have a 50% impact?

Mr. Beloin replied I don't know what the dollar amount would be.

Alderman Long stated with respect to revenue...from what I understand CMC is paying for April and May at the JacPac Parking Lot...could you tell me where that's reflected...show me where that's reflected in there.

Mr. Beloin replied specifically I don't know but I can follow-up on that.

Alderman Long stated that would be great.

Mr. Randy Sherman, Deputy Finance Officer, stated actually those dollars go over to the Housing Authority because they have control of that property. So, that doesn't come back to the city at all.

Alderman DeVries stated I would ask for clarification on this because I don't think we finalized that action till the beginning of June...if you're not 100% sure tonight. You're talking the extra dollars from Contingency when we finalize the budget if I understood the question.

Mr. Sherman stated she thinks she posted them in June.

Alderman DeVries stated that's when I think we finalized that action so the Contingency dollars in here may not reflect that amount...maybe you could give us an updated...send a memo out.

Mr. Sherman stated we'll check on it.

Alderman DeVries stated I appreciate that.

Alderman Smith stated I'd like to know why there is a great disparity in permit fees...we're talking I guess \$1.243 million on the page. It's actually under Budget versus Actual Revenue.

Mr. Sherman stated there's a couple of things in there...building permits and electrical and heating permits and the like are down but the permits also include parking permits which again does reflect the sale of the garage so those dollars will be down as well.

Alderman Long stated with respect to the civic center parking revenue is 52.7 below projected revenue and the Center of NH Parking Lot if that's not the only...

Mr. Sherman stated it isn't. The problem with the civic center parking is it's event driven. So, when you have a Cheryl Crow and an Aerosmith cancel that's a lot of parking revenue that isn't coming into the city. So, obviously you've got the base where you've got the hockey games and people coming in and that's 40 plus events every year and you know that. The rest of it is all the other events so this may...Wiggles did not come to the civic center but they've been here for the last four years and that's five events and that's five nights of parking. So, the civic center parking is going to fluctuate...clearly the sale of the Center of New Hampshire has an impact on that but again it's a venture. Watch the first week of July when you've got two American Idol's, Paul Simon and Cheryl Crow all here within five days...it'll jump back up but unfortunately that's next year.

Alderman Long asked how are these numbers determined?

Mr. Sherman asked the budget numbers or the...

Alderman Long replied the parking revenue...how do we determine...

Mr. Sherman stated what's civic center and what's not.

Alderman Long stated correct.

Mr. Sherman stated clearly at the parking garages they cut off at a certain hour and I don't remember if it's five or six o'clock. But, the day of an event they say okay anything after this time is civic center. It's real difficult obviously on meters... they try to collect and figure out but they run the Pine Street Lot at night, they run Victory at night when there's a civic center event but is it all 100% civic center... no somebody goes and parks at Victory Garage and goes to Marguerita's instead of the Verizon it's picked up at civic center revenue...so, it's real tough it's a judgmental call, they try to do the best they can but it's not a perfect system.

On motion of Alderman DeVries, duly seconded by Alderman Smith, it was voted to accept the City's Monthly Financial Statements as submitted.

Chairman Pinard addressed item 5 of the agenda:

5. Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:
 - a) department legend;
 - b) open invoice report over 90 days by fund;
 - c) open invoice report all invoices for interdepartmental billings;

- d) open invoice report all invoices due from the School Department only;
- e) listing of invoices submitted to City Solicitor for legal determination; and
- f) accounts receivable summary.

Ms. Sharon Wickens, Financial Analyst II, stated I have no specifics. I actually think the receivables look a lot better than they have in a long time so if you have any that you'd like to point out I might have more information.

Alderman Smith stated on page 6...this group here are they in existence or not? It's the second item.

Ms. Wickens replied they are and they did make a partial payment of \$1,000...that is in the hands of the collection agency. I guess we had a wrong address for the person tracking the account for awhile...I'm kind of watching to see if another payment will come in. It probably will because they do things within the city and they're going to want to continue.

Alderman Smith stated on page 24 the utility...I think we discussed this before, I don't know what the situation is.

Ms. Wickens stated on page 24 those are airport accounts. Mike Farren is here tonight he could probably answer more in depth as to why some of these particular ones are delayed but I let them be delayed quite a bit before I even call airport because their receivables tend to come in in six months, nine months...it's a different operation. Would you like Mike to comment on that?

Alderman Smith replied no I understand it's been on our sheet for three or four months that's why I was wondering and if it's airport related that they'll take care of the situation.

Mr. Mike Farren, Assistant Airport Director of Finance and Administration, stated what happens with the Verizon accounts it really isn't in arrears, it has been paid but they pay in advance and it goes into an account called Revenue Collected in Advance...that whole account has been paid...that total amount. And, it will be reflected in the next month.

Alderman Smith stated on page 28 in regard to the restaurant.

Ms. Wickens stated when the project is near completion they're going to pay this piece and we thought that it would be completed in the spring but it seems to be taking a little bit longer, it's additional cost for the project over there at the Derryfield...we'll get it, the project's just not completed yet...delayed a little bit. I have full confidence we're going to get that money.

On motion of Alderman Thibault, duly seconded by Alderman DeVries, it was voted to accept the Finance reports as submitted.

Chairman Pinard addressed item 6 of the agenda:

6. Communication from Sharon Wickens, Financial Analyst II, submitting the 4th quarter FY2006 write off list for the accounts receivable module.

On motion of Alderman Smith, duly seconded by Alderman Thibault, it was voted to accept the 4th quarter FY2006 write off list as submitted.

There being no further business to come before the Committee, on motion of Alderman DeVries, duly seconded by Alderman Smith, it was voted to adjourn.

City Clerk Bernier stated for the record after having spoken with the Chairman we will not meet in July unless necessary.

A True Record. Attest.

s/Leo R. Bernier
Clerk of Committee